

*COUNTY OF KNOX JAIL*

*FINANCIAL STATEMENTS  
AND SUPPLEMENTAL SCHEDULES*

*FOR THE SIX MONTHS  
ENDED JUNE 30, 2009*

**COUNTY OF KNOX JAIL**  
**FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES**  
**June 30, 2009**

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***INDEPENDENT AUDITOR'S REPORT***

March 30, 2010  
County Commissioners  
County of Knox  
Rockland, ME 04841

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the County of Knox Jail Department as of and for the six months ended June 30, 2009, as shown in the table of contents. These financial statements are the responsibility of the County of Knox Jail Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the County of Knox Jail Department are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the County that is attributable to the transactions of the Jail Department. They do not purport to, and do not, present fairly the financial position of the County of Knox, Maine as of June 30, 2009, the changes in its financial position for the six months ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2-4 and 21 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Knox Jail Department as of June 30, 2009, and the respective changes in financial position for the six months ended in conformity with accounting principles generally accepted in the United States of America.

Respectfully Submitted,

*James W. Wadman, C.P.A.*

James W. Wadman, C.P.A.

**County of Knox Jail**  
**Management's Discussion and Analysis**  
**For the Six months ended June 30, 2009**

Management of County of Knox Jail provides this *Management's Discussion and Analysis* of the County's financial performance for readers of the County's financial statements. This narrative overview and analysis of the financial activities of the County is for the six months ended June 30, 2009. We encourage readers to consider this information in conjunction with the financial statements and accompanying notes that follow.

The financial statements herein include all of the activities of County of Knox Jail (the County) using the integrated approach as prescribed by Government Accounting Standards Board (GASB) Statement No. 34.

**FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT**

**Government-wide Highlights:**

*Net Assets* – The assets of the County exceeded its liabilities at six months ending June 30, 2009 by \$3,653,422 (presented as “net assets”). Of this amount, \$19,445 was reported as “unrestricted net assets”. Unrestricted net assets represent the amount available to be used to meet the County's ongoing obligations to citizens and creditors.

*Changes in Net Assets* – The County's total net assets decreased by \$134,572 (a 3.6% decrease) for the six months ended June 30, 2009.

**Fund Highlights:**

*Governmental Funds* – Fund Balances – As of the close of the six months ended June 30, 2009, the County's governmental funds reported a combined ending fund balance of \$152,972 with (\$8,456) being general undesignated fund balance. This undesignated fund balance represents 0% of the total general fund expenditures for the year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information (budgetary comparison) and other supplementary information. These components are described below:

**Government-wide Financial Statements**

The Government-wide financial statements present the financial picture of the County from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the County (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain elimination entries have occurred as prescribed by the statement in regards to inter-fund activity, payables and receivables.

**Fund Financial Statements**

The fund financial statements include statements for each of the three categories of activities – governmental, business-type and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are used to account for resources held for the benefit of parties outside the County's government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the County's own programs. Reconciliation of the fund financial statements to the Government-wide financial statements is provided to explain the differences created by the integrated approach.

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found immediately following the fund financial statements.

### Required Supplementary Information

This section includes a budgetary comparison schedule, which includes a reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the general fund as presented in the governmental fund financial statements (if necessary).

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

#### Net Assets

98% of the County's net assets reflect its investment in capital assets such as land, buildings, and equipment less any related debt used to acquire those assets that are still outstanding. The County uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	<u>Total 2009</u>
Current Assets	256,527
Capital Assets	3,633,977
<b>Total Assets</b>	<u>3,890,504</u>
Current Liabilities	237,082
Other Liabilities	-
<b>Total Liabilities</b>	<u>237,082</u>
<b>Net Assets:</b>	
Invested in Capital Assets	3,633,977
Restricted	-
Unrestricted	19,445
<b>Total Net Assets</b>	<u>3,653,422</u>
<b>Total Liabilities and Net Assets</b>	<u>3,890,504</u>

### Changes in Net Assets

Approximately 89 percent of the County's total revenue came from assessments, approximately 10.5 percent came from State subsidies and grants, and approximately .5 percent came from services, investment earnings and other sources. Depreciation expense on the County's governmental assets represents \$68,506 of the total expenditures for the fiscal year.

	<u>Total 2009</u>
<b>Revenues:</b>	
County Assessments	1,594,349
Intergovernmental Revenues	189,524
Local Sources	11,743
Fair Value Increase (Decrease)	(2,299)
<b>Total</b>	<u>1,793,317</u>
<b>Expenses:</b>	
Personal Services	1,219,441
Contractual Services	448,304
Commodities	195,879
Capital Outlay	64,265
	<u>1,927,889</u>
<b>Changes in Net Assets</b>	<u>(134,572)</u>

### FINANCIAL ANALYSIS OF THE COUNTY'S INDIVIDUAL FUNDS

#### Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the County's financing requirements. In particular, undesignated fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the County's governmental funds reported ending fund balances of \$152,972 a decrease of \$24,257 in comparison with the prior year. (5.5%) percent of this total amount constitutes undesignated fund balance.

### CAPITAL ASSET ADMINISTRATION

#### Capital Assets

The County's investment in capital assets for its governmental activities amounts to \$5,748,194 net of accumulated depreciation of \$2,114,217 leaving a net book value of \$3,633,977.

### REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances for all citizens, taxpayers, investors and creditors. This financial report seeks to demonstrate the County's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: County of Knox Jail, 62 Union St., Rockland, ME 04841.

**COUNTY OF KNOX JAIL**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

**Exhibit A**

<b><i>Assets</i></b>	<b><i>Governmental Activities</i></b>
Investments	155,294
Accounts Receivable	523
Due from Other Governments	100,710
Capital Assets:	
Land	86,200
Other Capital Assets, Net of Depreciation	3,547,777
<b>Total Assets</b>	<b>3,890,504</b>
<b><i>Liabilities and Net Assets</i></b>	
Liabilities	
Accounts Payable	13,326
Accrued Salaries	77,528
Due to Other Governments	12,701
Compensated Absences Payable	133,527
<b>Total Liabilities</b>	<b>237,082</b>
Net Assets	
Investment in Capital Assets, net of Related Debt	3,633,977
Restricted Net Assets	-
Unrestricted	19,445
<b>Total Net Assets</b>	<b>3,653,422</b>
<b>Total Liabilities and Net Assets</b>	<b>3,890,504</b>

The accompanying notes to the financial statements are an integral part of these statements.

COUNTY OF KNOX JAIL  
STATEMENT OF ACTIVITIES  
FOR THE SIX MONTHS ENDED JUNE 30, 2009

Exhibit B

<u>Functions/Programs</u> <u>Primary Government</u> <u>Governmental Activities</u>	<u>Program Revenues</u>			<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in Net Assets</u>
	<u>Expenses</u>	<u>Fees, Fines, and</u> <u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants</u>	
Personal Services	1,219,441			(1,219,441)
Contractual Services	448,304			(448,304)
Commodities	195,879			(195,879)
Capital Outlay	64,265			(64,265)
<u>Total Governmental Activities</u>	<u>1,927,889</u>	<u>-</u>	<u>-</u>	<u>(1,927,889)</u>
<u>Total Primary Government</u>	<u>1,927,889</u>	<u>-</u>	<u>-</u>	<u>(1,927,889)</u>
<u>General Revenues:</u>				
Assessments				1,594,349
Intergovernmental Revenues				189,524
Other Local Sources				9,444
<u>Total Revenues, Special Items and Transfers</u>				<u>1,793,317</u>
<u>Changes in Net Assets</u>				<u>(134,572)</u>
<u>Net Assets - Beginning</u>				<u>3,787,994</u>
<u>Net Assets - Ending</u>				<u>3,653,422</u>

The accompanying notes to the financial statements are an integral part of this statement.



**COUNTY OF KNOX JAIL**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2009**

**Exhibit C**  
**Page 1 of 2**

<i>Assets</i>	<i>General Fund</i>	<i>Reserve Funds</i>	<i>Total</i>
Investments		155,294	155,294
Accounts Receivable	523		523
Due from Other Governments	81,875	18,835	100,710
<b>Total Assets</b>	<b>82,398</b>	<b>174,129</b>	<b>256,527</b>
<i>Liabilities and Fund Balance</i>			
Liabilities			
Accounts Payable	13,326		13,326
Accrued Salaries	77,528		77,528
Due to Other Governments		12,701	12,701
<b>Total Liabilities</b>	<b>90,854</b>	<b>12,701</b>	<b>103,555</b>
<i>Fund Balances</i>			
Unreserved	(8,456)		(8,456)
Unreserved, Reported in Nonmajor Special Revenue Funds		161,428	161,428
<b>Total Fund Balances</b>	<b>(8,456)</b>	<b>161,428</b>	<b>152,972</b>
<b>Total Liabilities and Fund Balances</b>	<b>82,398</b>	<b>174,129</b>	<b>256,527</b>

The accompanying notes to the financial statements are and integral part of these statements.

**COUNTY OF KNOX JAIL**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2009**

**Exhibit C**  
**Page 2 of 2**

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total Fund Balance	152,972
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$68,506	<u>3,633,977</u>
	<u>3,633,977</u>
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Accrued Compensated Absences	<u>(88,626)</u>
	<u>(88,626)</u>
Net Assets of Governmental Activities	<u><u>3,698,323</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

**COUNTY OF KNOX JAIL**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2009**

**Exhibit D**  
**Page 1 of 2**

	<i>General Fund</i>	<i>Reserve Funds</i>	<i>Total Governmental Funds</i>
Revenues			
Assessments	1,594,349		1,594,349
Intergovernmental Revenues	189,524		189,524
Local Sources	9,550	2,193	11,743
Fair Value Increase (Decrease)		(2,299)	(2,299)
Total Revenues	1,793,423	(106)	1,793,317
Expenditures			
Personal Services	1,160,777		1,160,777
Contractual Services	454,083		454,083
Commodities	195,879		195,879
Capital Outlay	-	6,835	6,835
Total Expenditures	1,810,739	6,835	1,817,574
Excess of Revenues Over (Under) Expenditures	(17,316)	(6,941)	(24,257)
Other Financing Sources (Uses)			
Transfers from Other Funds	8,860	21,360	30,220
Transfers to Other Funds		(30,220)	(30,220)
Total Other Financing Sources (Uses)	8,860	(8,860)	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(8,456)	(15,801)	(24,257)
Fund Balance - January 1	-	177,229	177,229
Fund Balance - June 30	(8,456)	161,428	152,972

(Continued)

The notes to financial statements are an integral part of this statement.

**COUNTY OF KNOX JAIL**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2009**

**Exhibit D**  
**Page 2 of 2**

Net change in fund balances - total governmental funds (24,257)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized

16,855

Depreciation expense

(68,506)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Accrued compensated absences

(13,763)

Change in net assets of governmental activities

(89,671)

The notes to financial statements are an integral part of this statement.

**COUNTY OF KNOX JAIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the County of Knox Jail have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The financial statements represent information of the County attributable to the transactions of the jail department. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**A. Financial Reporting Entity**

The County of Knox Jail operates under an elected Board of Commissioners form of government.

For financial reporting purposes the County includes all organizations, functions and activities in its financial statements for which it exercises oversight responsibility. Oversight responsibility as defined by the Governmental Accounting Standards Board (GASB) includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

***Management's Discussion and Analysis***

GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.

***Government-wide Financial Statements***

The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

***Statement of Net Assets***

The Statement of Net Assets is designed to display the financial position of the primary government (government and business-type activities). Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expense – the cost of "using up" capital assets – in the Statement of Activities. The net assets of a government will be broken down into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

**COUNTY OF KOX JAIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Financial Reporting Entity (continued)**

***Statement of Program Activities***

The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for example, through user charges or intergovernmental grants).

***Budgetary Comparison Schedules***

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The County and many other governments may revise their original budgets over the course of the year for a variety of reasons. Under GASB No. 34, governments continue to provide budgetary comparison information in their annual reports. GASB Statement No. 34 requires that the County add the original budget to the current comparison of the final budget and actual results.

**B. Fund Accounting**

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Funds are classified into the following categories: governmental, proprietary, and fiduciary.

Governmental funds are used to account for all or most of the County's general activities, including the collection and disbursement of earmarked monies (special revenue funds) and the servicing of general long-term debt (debt service fund). The General Fund is used to account for all activities of the general government not accounted in some other fund.

Proprietary funds are established to account for activities for which a fee is charged to external or internal users for goods or services. Their reporting focuses on the determination of operating income and changes in net assets. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other agencies primarily within the County (internal service funds).

Fiduciary funds are used to account for assets held in a trustee or agency capacity for others and therefore cannot be used to support the County's own programs.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the County. The effect of material interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and various intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment, or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and standard revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The County reports the following major governmental funds:

The general fund is the County's primary operating fund. It accounts for all financial resources of the jail, except those required to be accounted for in another fund.

The reserve funds account for all the County funds designated for a specified purpose.

**D. Basis of Accounting, Measurement Focus, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues and additions are recorded when earned and expenses and deductions are recorded when a liability is incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the fund liability is incurred. However, debt service expenditures (if any) are recorded only when payment is due.

Charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities and Equity**

**1. Deposits and Investments**

Governmental Accounting Standards Statement No. 40 requires the disclosure of interest rate risk, credit risk, and custodial risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District invests in short term repurchase obligations and short term investments held by a local banking institution. As a means of limiting its exposure credit risk, the District limits its investments to those authorized by Maine State Statutes, which authorize the District to make deposits/investments in insured commercial banks, insured credit unions, and direct debt securities of the United States Government unless such an investment is expressly prohibited by law. For an investment, custodial risk is the risk that in the event of the failure of the counter party the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As a means of limiting its exposure to custodial risk, the District requires that, at the time funds are invested, collateral for repurchase agreements be held in the District's name by a custodial agent for the term of the agreement and investments in obligations of the United States or its agencies be held by the Federal Reserve.

**2. Receivables and Payables**

Transactions between funds that result in outstanding balances are reported as due to/from other funds.

Revenues for the most part are recorded when received, except for the following items for which receivables have been recorded:

- a. Certain grants received from other governments require that eligible expenditures be made in order to earn the grant. Revenue for these grants is recorded for the period in which eligible expenditures are made.
- b. Various service charges are recorded as revenue for the period when service was provided. The receivables for such services are shown on the balance sheet.

**3. Inventories**

Inventories are valued at cost, using the first-in, first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased, however, material amounts of inventories are reported as assets of their respective funds. Reported inventories in the government funds are equally offset by a fund balance reserve which indicates that the assets are not available for appropriation even though they are a component of reported assets.



**COUNTY OF KOX JAIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities and Equity (Continued.)**

**4. Capital Assets**

Capital assets, which property, plant, equipment, and infrastructure (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed. Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50-100
Infrastructure	30-50
Equipment	5-30

**5. Compensated Absences**

In the fund financial statements, vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vested or accumulated vacation leave in the government-wide financial statements is recorded as an expense and liability of the fund as the benefits accrue to employees. In accordance with GASB Statement No. 16, no liability is recorded for nonvesting accumulated right to receive sick pay benefits.

**6. Long-term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type financial statements. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources.

**7. Fund Equity/Net Assets**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. In the government-wide financial statements, restricted net assets are legally restricted by outside parties for a specific purpose.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

***A. Budgetary Information***

The County utilizes a formal budgetary accounting system to control revenues accounted for in the general fund. These budgets are established in accordance with the various laws which govern the County's operations. The County Commissioners submit an itemized budget estimate to the budget committee no later than 60 days before the end of the County's fiscal year. The budget committee (made up of elected officials from various Counties) reviews the proposed itemized budget prepared by the County Commissioners, together with any supplementary material prepared by the head of each County department or provided by any independent board or institution or another governmental agency. The budget committee may increase, decrease, or alter the proposed budget. The budget committee then holds a public hearing in the County on the proposed budget before the end of the County's fiscal year and before the final adoption of the budget.

After the public hearing is completed, the budget committee adopts a final budget and transmits that budget to the county commissioners. The county commissioners may not further increase, decrease, alter, and revise the budget as adopted by the budget committee, except by unanimous vote of the county commissioners. If the adopted budget is changed by the county commissioners, the budget committee may reject that change by a 2/3 vote of its membership. Those actions are final and are not subject to further action by either the county commissioners or the budget committee.

The budget as adopted and changed is the final authorization for the assessment of county taxes. The approved final budget is sent to the county commissioners and the county tax authorized is apportioned and collected.

All annual appropriations lapse at the year-end except for capital appropriations, which are encumbered if approved by the County Commissioners.

***B. Budget/GAAP Reconciliation***

The Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual (Exhibit F) reconciles financial data on a budgetary basis for the government's general fund to the data shown on the Combined Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit D). The major difference is that encumbrances are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance (GAAP).

***C. Reserved For Contingency - General Fund***

Title 30-A, Section 922, Maine Revised Statutes Annotated of 1964 states that at the end of each fiscal year, there must be transferred from unencumbered county funds an amount sufficient to restore the established county contingent account.

At June 30, the County's contingency account remained at its established balance.

**COUNTY OF KOX JAIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. Investments**

Investments made by the County are summarized below. The investments that are represented by specific identifiable securities are classified as to credit risk into three categories as follows:

Category 1 – Insured or registered, or securities held by the government or its agent in the government's name.

Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name.

Category 3 – Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the government's name.

	<i>Category 3</i>	<i>Fair Value</i>
U.S. Government Obligations	<u>155,294</u>	<u>155,294</u>

**COUNTY OF KOX JAIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**B. Capital Assets**

Capital asset activity for the year ended June 30, 2009 was as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
<b>Governmental Activities;</b>				
<i>Capital assets not being depreciated</i>				
Land	86,200			86,200
<i>Capital assets being depreciated</i>				
Buildings	5,346,274	16,854		5,363,128
Equipment	298,866			298,866
<i>Total capital assets being depreciated</i>	5,645,140	16,854	-	5,661,994
<i>Less accumulated depreciation for</i>				
Buildings	1,915,403	54,405		1,969,808
Equipment	130,308	14,101		144,409
<i>Total accumulated depreciation</i>	2,045,711	68,506	-	2,114,217
<i>Net capital assets being depreciated</i>	3,599,429	(51,652)	-	3,547,777
<b>Governmental Activities</b>				
<b>Capital Assets, net</b>	3,685,629	(51,652)	-	3,633,977

Depreciation expense was charged to functions/programs of the primary government as follows;

Governmental Activities

Contractual Services	11,076
Capital Outlay	57,430
Total Depreciation Expense - Governmental Activities	68,506

**NOTE 4 - OTHER INFORMATION**

**A. Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the government expects such amount, if any to be immaterial.

There are various claims and suits pending against the County which arise in the normal course of the County's activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect in the financial position of the County.

**B. Pension Plans**

The County has contributed for certain employees, to the Maine State Retirement System (MSRS), a cost-sharing multiple-employer defined benefits pension plan. The County has withdrawn from participation for new employees, but must continue to fund the benefits of current retirees and vested inactive members. The County is required to contribute an annual fee based on an actuarial valuation of the entire State plan. There were no contribution requirements for the County for the years 2007, an unfunded liability of \$15,000 for 2008.

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all county employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The plan is administered by an independent company, and the County remits all compensation deferred to this administrator for investment as requested by the participant employees. All assets and income of the plan are held in trust for the exclusive benefit of participants and their beneficiaries.

The County has adopted a 401 Qualified Plan for which an independent company is the plan administrator.

The County contributes 7% of earnings on behalf of each participant for the plan year. Each participant is required to contribute 3% of earnings for the plan year as a condition of participation.

All full-time, salaried management, public safety, and elected officials are eligible to participate. Normal retirement age shall be 55 (not to exceed age 65). Participants vesting requirements are fulfilled at 5 years of service. The County has contributed \$143,313 and the participants have contributed \$71,557 for the year-ended December 31, 2008.

A participant may direct the investment without restriction among various options available under the trust. Loans are not permitted under the plan.

Effective January 1, 2002, the County implemented a cafeteria benefit plan pursuant to section 125 of the IRS code. Under this plan, eligible employees may direct a contribution, made by the employees, into any combination of the following benefit categories:

1. Health Care Reimbursement Plan;
2. Dependent Care Assistance Account;
3. Premium Expense Account;

**COUNTY OF KOX JAIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 4 - OTHER INFORMATION (Continued)**

***B. Pension Plans (Continued)***

Eligible employees may elect to contribute pre-tax dollars to these categories. Under no circumstances may an employee direct more than \$5,000 annually into the Dependent Care Assistance Account. Total contributions may not be more than \$10,000 each year.

All regular full-time and part-time employees who are eligible to join the County's major medical plan are eligible to participate in this plan. Seasonal employees are not eligible. The plan year adopted by the County begins on January 1 and ends on December 31.

To obtain reimbursement of expenses incurred within a plan year within the spending accounts, employees must submit claims within 30 days of the end of the plan year or separation from the County, whichever comes first. Funds unclaimed after 30 days of the close of the plan year are then remitted to the County.

***C. Risk Management***

The County is exposed to various risks of loss related to torts; theft of, damage and destruction of assets; errors and omissions; and natural disasters for which the County participated in public entity risk pools.

The County is a member of the Maine Municipal Association - Worker Compensation Fund ("Fund"). The Fund was created to formulate, develop, and administer a program of modified self-funding for the Fund's membership, obtain lower costs for worker's compensation coverage, and develop a comprehensive loss control program. The County pays an annual premium to the Fund for its worker's compensation coverage. The County's agreement with the Fund provides that the Fund will be self-sustaining through member premiums and will provide through commercial companies reinsurance contracts, for members with claims in excess of \$400,000 with a limit of \$2,000,000.

The County is also a member of the County Commissioners Association Self-Funded Risk Management Pool ("Pool"). As with the Fund above, the Pool was created to obtain lower costs for its members. The County pays an annual premium for its property and liability coverage.

Under the property portion of the Pool, coverage is provided, after the deductible is met, to \$10,000,000. Under the liability portion of the Pool, coverage is provided after the deductible is met, to \$1,000,000.

**COUNTY OF KNOX JAIL**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2009**

**Exhibit E**

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues				
Assessments	1,594,349	1,594,349	1,594,349	-
Intergovernmental Revenues	191,640	191,640	189,524	(2,116)
Local Sources	-	-	9,550	9,550
Total Revenues	1,785,989	1,785,989	1,793,423	7,434
Expenditures				
Personal Services	1,187,768	1,187,768	1,160,777	26,991
Contractual Services	392,458	401,318	454,083	(52,765)
Commodities	187,863	187,863	195,879	(8,016)
Capital Outlay	17,900	17,900	-	17,900
Total Expenditures	1,785,989	1,794,849	1,810,739	(15,890)
Excess Revenues Over Expenditures	-	(8,860)	(17,316)	(8,456)
Other Financing Sources (Uses)				
Transfers from Other Funds		8,860	8,860	-
Transfers to Other Funds				-
Total Other Financing Sources (Uses)	-	8,860	8,860	-
Excess of Revenues and Other Sources Over (Under) Expenditures	-	-	(8,456)	(8,456)
Unreserved Fund Balance - January 1			-	
Unreserved Fund Balance - June 30			(8,456)	

COUNTY OF KNOX JAIL

GENERAL FUND

Exhibit A-1

STATEMENT OF BUDGETED AND ACTUAL REVENUES  
FOR THE SIX MONTHS ENDED JUNE 30, 2009

	<i>Budget</i>	<i>Actual</i>	<i>Over (Under) Budget</i>
Assessments	1,594,349	1,594,349	-
Intergovernmental Revenues			
State			
Jail Reimbursement	180,690	180,690	-
Jail Surcharge	7,000	7,881	881
Maine Pretrial	3,950	544	(3,406)
Fuel Reimbursement		409	409
	191,640	189,524	(2,116)
Other Local Sources			
Court Ordered Board		2,210	2,210
Transport Reimbursement		1,284	1,284
Employee Meals		643	643
SSI Incentive Payment		400	400
GED Adult Education		4,950	4,950
Restitution		63	63
	-	9,550	9,550
Operating Transfers In			
Transfers from Reserves	8,860	8,860	
	8,860	8,860	-
Total Revenues and Transfers	1,794,849	1,802,283	7,434
Fund Balance Used to Calculate Assessments			
Total	1,794,849		



COUNTY OF KNOX JAIL

GENERAL FUND

STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES  
FOR THE SIX MONTHS ENDED JUNE 30, 2009

Exhibit A-2

Page 1 of 2

	Budget	Actual	(Over) Under Budget
Personal Services			
Jail Administrator	27,224	26,528	696
Assistant Jail Administrator	23,835	22,916	919
Programs Officer	38,811	37,435	1,376
Food Services	55,238	53,523	1,715
Administrative Assistant	13,990	13,736	254
Corrections Supervisors	80,148	95,472	(15,324)
Assistant Corrections Supervisors	80,148	61,769	18,379
Corrections Officers	384,131	350,819	33,312
Transport Supervisor	19,837	20,162	(325)
Assistant Transport Supervisor	19,672	23,581	(3,909)
Records Officer	20,581	20,762	(181)
Overtime	79,560	90,747	(11,187)
Holiday Overtime	41,331	20,521	20,810
Part Time	15,000	36,574	(21,574)
Hourly Differential	4,123	4,806	(683)
Stipends	1,500		1,500
FICA/Medicare	69,243	64,961	4,282
Health Insurance	160,181	162,257	(2,076)
Workers Compensation	25,226	26,491	(1,265)
Unemployment Reimbursement	5,000	5,231	(231)
Resignation / Termination Benefits	4,981	1,737	3,244
Flexible Benefits	708	552	156
ICMA Qualified and Deferred Compensation	17,300	20,197	(2,897)
	1,187,768	1,160,777	26,991
Contractual Services			
Debt Service Interest - TAN		4,346	(4,346)
Consulting / Accounting Services	500	315	185
Automobile Mileage	350	90	260
Meals	300	313	(13)
Lodging	450	298	152
Other, Tolls, Fees	75	40	35
Telephone	3,000	2,984	16
Pagers		121	(121)
Insurance Deductibles	44,740	64,277	(19,537)
Dues and Registration	225	85	140
Postage and Shipping	50	76	(26)
Printing and Engraving	250		250
Training and Seminars	2,000	375	1,625
Medical Exams		949	(949)
Electricity	51,003	36,359	14,644
Sewage	7,180	9,653	(2,473)
Water	4,045	3,662	383
Copier Rental	1,900	1,524	376
Equipment Repairs and Maintenance	7,500	4,481	3,019
Radio Repairs and Maintenance	1,000	485	515
Computer Repairs and Maintenance	2,000	234	1,766

STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES  
FOR THE SIX MONTHS ENDED JUNE 30, 2009

	Budget	Actual	(Over) Under Budget
Contractual Services (continued)			
Grounds Maintenance	4,000	5,379	(1,379)
Building Repairs and Maintenance	13,500	5,646	7,854
Electrical Repairs and Maintenance	6,000	7,413	(1,413)
Heating Repairs and Maintenance	21,860	32,203	(10,343)
Plumbing Repairs and Maintenance	4,250	3,576	674
Rubbish Removal	825	974	(149)
Board of Prisoners	15,000	30,758	(15,758)
Pest Control	400	210	190
Inmate Medical and Dental	100,000	132,835	(32,835)
Inmate Programs and Services	65,177	63,790	1,387
Inmate Benefit Expense	36,138	36,138	-
Gas, Oil, Grease	4,600	3,040	1,560
Automobile Repairs and Maintenance	3,000	1,454	1,546
	401,318	454,083	(52,765)
Commodities			
Food	45,500	45,350	150
Heating Fuel	56,088	89,043	(32,955)
Haz Mat Storage	350	350	-
Auto Supplies	500	56	444
Cleaning Supplies	6,400	5,581	819
Paper Supplies	3,250	3,250	-
Institutional Supplies	17,500	17,562	(62)
Maintenance Supplies	8,500	1,843	6,657
Medical Prescriptions and Supplies	30,000	12,215	17,785
Office Supplies	3,250	1,610	1,640
Photographic Supplies	250		250
Printing and Reproduction	1,000		1,000
Record Books	100	22	78
Training Supplies	850	518	332
Computer Supplies	1,500	1,599	(99)
Uniforms	7,700	13,678	(5,978)
Prisoner Clothing	2,250	2,251	(1)
Books and Subscriptions	500	98	402
Statues and Reference Books	1,000	683	317
Small Tools	1,000	170	830
Miscellaneous Minor Equipment	375		375
	187,863	195,879	(8,016)
Capital Outlay			
Furniture and Fixtures	1,400		1,400
Computer Hardware	1,500		1,500
Plumbing	15,000		15,000
	17,900	-	17,900
<b>Total Appropriations</b>	<b>1,794,849</b>	<b>1,810,739</b>	<b>(15,890)</b>

GENERAL FUND

STATEMENT OF CHANGES IN UNRESERVED - UNDESIGNATED FUND BALANCE  
FOR THE SIX MONTHS ENDED JUNE 30, 2009

Unreserved - Undesignated Fund Balance January 1, 2009	-	
Unreserved - Undesignated Fund Balance June 30, 2009	<u>(8,456)</u>	
<b>Increase (Decrease)</b>		<u><u>(8,456)</u></u>
Analysis of Change		
Additions		
Budget Summary		
Revenue Surplus (Exhibit A-1)	7,434	
Unexpended (Overdraft) Balance of Appropriations (Exhibit A-2)	<u>(15,890)</u>	
Budget Surplus (Deficit)		<u>(8,456)</u>
Deductions		
Fund Balance Used to Calculate Assessments		<u>-</u>
<b>Increase (Decrease)</b>		<u><u>(8,456)</u></u>

COUNTY OF KNOX JAIL  
ALL SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2009

Exhibit B-1

Assets	Capital Reserve	Computer Reserve	Consultant Reserve	Improvement Reserve	Training Reserve	Vehicle Reserve	Totals
Investments	76,435						
Due from Other Governments	18,835	14,332	35,300	12,701	7,632	8,894	155,294
Total Assets	95,270	14,332	35,300	12,701	7,632	8,894	174,129
<i>Liabilities and Fund Balances</i>							
Liabilities							
Due to Other Funds				12,701			12,701
Total Liabilities	-	-	-	12,701	-	-	12,701
Fund Balances							
Unreserved							
Designated for Subsequent Years'							
Expenditures	95,270	14,332	35,300		7,632	8,894	161,428
Undesignated							-
Total Fund Balances	95,270	14,332	35,300	-	7,632	8,894	161,428
Total Liabilities and Fund Balances	95,270	14,332	35,300	12,701	7,632	8,894	174,129

Exhibit B-2

COUNTY OF KNOX JAIL  
ALL SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE SIX MONTHS ENDED JUNE 30, 2009

	Capital Reserve	Computer Reserve	Consultant Reserve	Control System Reserve	Heating System Reserve	Improvement Reserve	Training Reserve	Vehicle Reserve	Totals
Revenues									
Interest	1,040	215	480	9	51	173	104	121	2,193
Fair Value Increase (Decrease)	(1,008)	(286)	(463)	(64)	(98)	(166)	(101)	(113)	(2,299)
Other Local Sources									-
Total Revenues	32	(71)	17	(55)	(47)	7	3	8	(106)
Expenditures									
Personnel Services									-
Contract Services									-
Commodities									-
Capital Outlay		5,880				955			6,835
Total Expenditures	-	5,880	-	-	-	955	-	-	6,835
Excess of Revenues Over (Under) Expenditures	32	(5,951)	17	(55)	(47)	(948)	3	8	(6,941)
Other Financing Sources (Uses)									
Transfers from Other Funds	11,746					9,614			21,360
Transfers to Other Funds	(9,614)			(2,805)	(6,055)	(11,746)			(30,220)
Total Other Financing Sources (Uses)	2,132	-	-	(2,805)	(6,055)	(2,132)	-	-	(8,860)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	2,164	(5,951)	17	(2,860)	(6,102)	(3,080)	3	8	(15,801)
Fund Balance - January 1	93,106	20,283	35,283	2,860	6,102	3,080	7,629	8,886	177,229
Fund Balance - June 30	95,270	14,332	35,300	-	-	-	7,632	8,894	161,428